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RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY

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RUCPDOC/DEPT OF COMMERCE WASHDC

RUEATRS/DEPT OF TREASURY WASHDC

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UNCLAS KINSHASA 001133

SIPDIS

SIPDIS, SENSITIVE BUT UNCLASSIFIED - PROTECT ACCORDINGLY

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TAGS: [ECON](#) [EAID](#) [EFIN](#) [ETRD](#) [EINV](#) [PGOV](#) [CH](#) [CG](#)

SUBJECT: DRC, CHINA ANNOUNCE FIVE BILLION DOLLAR LOAN FOR INFRASTRUCTURE AND MINING

REF: 06 KINSHASA 1731

¶1. (U) China and the DRC signed an agreement on September 17 for a total USD five billion loan to finance three billion dollars in infrastructure construction projects and two billion dollars in mining sector partnerships. The GDRC Minister of Public Works and Infrastructure, Pierre Lumbi, said that China-DRC cooperation is based on the principle of "bringing employment to Congolese." China has already invested USD 60 million in a joint venture mining project with parastatal Gecamines, and USD 32 million in the DRC telecoms infrastructure to support Chinese company Congo China Telecom (reftel).

¶2. (U) Proposed infrastructure construction works include transportation projects: 2,000 miles of new railway from the Atlantic/Congo River port of Matadi to Sakania, on the DRC border with Zambia; 2,000 miles of roadway from Kisangani to Kasumbalesa (the vehicle crossing point on the border with Zambia); and a new road to link Lubumbashi, provincial capital of Katanga, to Kasumbalesa. The agreement also promises construction of 31 150-bed hospitals, 145 50-bed health centers, 5,000 public housing units, and two universities.

¶3. (U) An additional USD 2 billion will be used to develop China-DRC joint ventures in the mining sector. An example of this type of project is the recent announcement that DRC diamond parastatal MIBA and a Chinese firm, CMEC, have signed an agreement allowing CMEC to exploit nickel and chrome deposits near the West Kasai provincial capital, Kananga. CMEC will reportedly invest USD 75 million to finance local infrastructure, including a connection to the main Inga-Katanga power line, a new cement factory, and road repairs.

¶4. (SBU) Comment. This latest agreement continues the pattern of large, highly visible infrastructure projects begun during the Mobutu years, which included the Martyrs Stadium and the Parliament Building in Kinshasa. More recent is the Chinese hospital center built near the airport and staffed largely with Chinese doctors and nurses. It also confirms a move towards larger, more mainstream mining sector China-DRC joint ventures, perhaps replacing the smaller, "informal" Chinese operations that many have criticized in Katanga's copper and cobalt belt.

¶5. (SBU) Comment (cont.) Exact details of this agreement, especially the loan repayment terms, are unknown. One account suggested that tolls taken on the roadways would provide some of the reimbursement. It is generally assumed that China-DRC agreements make some provision for repayment "in kind," using natural resources of interest to China. Despite Minister Lumbi's assurance that the loan agreement will benefit Congolese companies and laborers, it is unclear how this loan will be programmed and who will decide what

the priority projects are. Past China-DRC projects have been criticized for not using Congolese labor or suppliers, and in some cases never being completed.

¶6. (SBU) Comment (cont.) The China-DRC loan agreement, signed immediately prior to the arrival of the latest IMF mission from Washington, raises the issue of whether the DRC, which owes over USD 10 billion to its international creditors, can afford even more external debt, and under what terms. The agreement also raises the specter of increased Chinese influence, both economic and political, in the region. China's presence in Sudan, Zambia and Angola, all of which share borders with the DRC, assumes greater importance with this Beijing-Kinshasa deal. End comment.

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